

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

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R 181100Z SEP 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC 3149

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, ETRD, EEC, IT, FR

SUBJECT: ITALIAN-FRENCH WINE DISPUTE

REF: ROME 13193

1. DURING SEPTEMBER 17 CALL BY EMBASSY OFFICERS,
MINISTRY FOREIGN AFFAIRS
(MFA) REP CALAMIA (DIRECTOR, EC/GATT AFFAIRS) DESCRIBED MFA
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STRATEGY FOR DEALING WITH FRENCH IMPORT LEVY ON ITALIAN WINE

(PARAS 2-4 BELOW).

2. FOLLOWING FAILURE OF SEPTEMBER 9 EC AGRICULTURAL MINISTERS MEETING TO REACH A SOLUTION, WHICH LED TO GOF UNILATERALLY IMPOSING A FF1.13 PER DEGREE/HECTOLITER IMPORT LEVY, MFA REALIZED THERE WOULD BE TREMENDOUS PRESSURES FROM ITALIAN AGRICULTURAL INTERESTS, AND OTHERS, TO RETALIATE. IN ABSENCE OF ANY CLEAR-CUT POSITION BY EC COMMISSION, GOI MIGHT HAVE BEEN UNABLE RESIST THESE PRESSURES. RETALIATION, OF COURSE, WOULD HAVE HAD SERIOUS IMPLICATIONS FOR EC AGRICULTURAL POLICY AND FUTURE EC COOPERATION.

3. MFA REPS THEREFORE HELD EXTENSIVE TALKS WITH EC COMMISSION PRESIDENT ORTOLI DURING THE SEPTEMBER 11-12 EC FOREIGN MINISTERS MEETING AT VENICE, STRESSING SERIOUSNESS OF SITUATION. SHORTLY THEREAFTER, EC COMMISSION RULED THERE IS NO JURIDICAL BASIS UNDER EC REGULATIONS FOR THE FRENCH IMPORT LEVY. COMMISSION DECISION VINDICATED GOI POSITION RE ILLEGALITY OF FRENCH ACTION AND PROVIDED MFA WITH SUFFICIENT AMMUNITION TO PREVENT IMMEDIATE RETALIATION.

4. MFA BELIEVES FRENCH IMPORT LEVY WILL FALL OF ITS OWN WEIGHT, SINCE FRENCH IMPORTERS APPARENTLY NOW IN POSITION TO GO BEFORE FRENCH COURTS TO CLAIM REFUND. GOI NOW SEEKS SUITABLE COMPROMISE ASAP WITHIN EC CONTEXT ON LONG-TERM MEASURES TO ELIMINATE WINE SURPLUS (THEREBY AFFORDING RATIONALE FOR GOF TO ELIMINATE IMPORT LEVY), SUCH AS: (A) RAISING MINIMUM ALCOHOLIC CONTENT OF TABLE WINES TO 9.5 PERCENT; (B) ADJUSTMENT OF INTERNAL TAXES ON WINE IN THOSE EC COUNTRIES WHICH HAVE HIGH TAX LEVELS IN ORDER ENCOURAGE CONSUMPTION; (C) UPGRADING QUALITY OF VINES BY REPLACING HIGH-YIELD, LOW QUALITY VARIETIES WITH HIGH-QUALITY, LOWER YIELD VARIETIES; (D) SOME TYPE OF DISTILLATION PROGRAM; AND (E) HIGHER EXPORT SUBSIDIES TO STIMULATE EXPORTS TO NONTRADITIONAL MARKETS. EMBOFF OBSERVED THAT SUBSIDIZED SALES TO US WOULD UNDOUBTEDLY RESULT IN APPLICATION BY US OF COUNTER-VAILING DUTIES. CALAMIA REPLIED THAT EC WOULD NOT CONSIDER SALES OF THESE LOW QUALITY WINES TO US BUT WERE INTERESTED IN DEVELOPING MARKETS IN INTER ALIA THE USSR AND SCANDINAVIA.

5. ALSO ON SEPTEMBER 17, MINISTRY AGRICULTURE HOSTED MEETING LIMITED OFFICIAL USE

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ATTENDED BY AGRICULTURAL, COMMERCIAL AND MINISTRY OF FOREIGN TRADE REPS TO DISCUSS ITALIAN-FRENCH WINE SITUATION. MFA NOT RPT NOT INVITED. MINISTRY AGRICULTURE REPORTEDLY WORKING ON DRAFT DECREE IMPOSING RETALIATORY RESTRICTIONS ON IMPORTS OF FRENCH AGRICULTURAL PRODUCTS, INCLUDING DAIRY PRODUCTS AND CHAMPAGNE. (ITALIAN CABINET MEETING SCHEDULED FOR SEPTEMBER 15 TO CONSIDER ITALIAN-FRENCH WINE DISPUTE WAS POSTPONED WHEN EC COMMISSION ISSUED ITS RULING.)

6. COMMENT: CONTINUED FRENCH INSISTENCE ON APPLYING IMPORT LEVY TO ITALIAN WINE COULD YET TRIGGER ITALIAN RETALIATION, ESPECIALLY IF SCENARIO RE EFFECTIVENESS OF IMPORT LEVY DOES NOT FOLLOW MFA SCRIPT (PARA 4 ABOVE). VOLPE

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